United States
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Foreign Agricultural Service

Foreign Agriculture

January 1983

Adding Value To U.S. Farm Exports

Marketing News

France To Enforce Language Requirement on Importing Documents

Exporters should be aware that the French government has announced that it will enforce a requirement calling for all official documents accompanying agricultural and manufactured imports to be written in French. The announcement was printed in the Oct. 21, 1982, issue of the Official Journal of France, a document equivalent to the U.S. Federal Register.

The regulation will apply to all official import documents required by France as well as to labels, bills of lading, contracts, advertising and promotional materials. Although the French language requirement has been on the books for several years, it has not been strictly enforced. The U.S. Department of Agriculture will work with other government agencies to see if this regulation would be enforced uniformly throughout the European Community, as well as with other exporting countries. If not, there would be reason to take the issue to the General Agreement on Tariffs and Trade. All exporters are urged to double check documentation requirements with French importers before shipping any products.

ANUGA Set for Fall 1983

ANUGA—the world's largest food trade show—will be held Oct. 15-20, 1983,in Cologne, West Germany. American manufacturers are invited to participate in this exhibit, which features food products from all over the world.

U.S. producers and manufacturers of food and beverages will exhibit in the American pavilion organized and sponsored by USDA, which has selected ANUGA as the only international trade show in Europe for its export expansion program in 1983. Interested companies should contact the Export Trade Services Division, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20250. Tel: (202) 447-6343.

New Cooperator Group Surveys Produce Opportunities In Far East

Five members of the **Western Growers Association (WGA)**—the newest cooperator in the Foreign Agricultural Service's market development program—recenty completed a two-week survey trip to selected Asian countries. The team explored the potential for expanded exports of fresh Arizona and California produce to Taiwan, the Philippines, Indonesia, Malaysia and Singapore. These countries purchased $73 million worth of U.S fresh fruits and vegetables in 1981. Following up on leads gathered on its trip, the WGA plans to hold a trade exhibit in Singapore and possibly Malaysia in September 1983.

Mohair Spinners Getting In Gear

The **Mohair Council of America (MCA)** recenty invited two representatives from the mohair spinning industries in Spain and Italy to the United States to acquaint them with U.S. mohair production and marketing techniques. Both countries are important users of mohair and have been increasing their mohair purchases from the United States in response to MCA's market development efforts. MCA officials also plan to contact mohair importers and end-users in the United Kingdom, France and West Germany, which account for roughly 80 percent of total U.S. mohair exports.

U.S. mohair production was expected to be up slightly in 1982 and the average grade of the crop will be better than last year's because of increased kid hair production, which normally sells for twice the price of adult hair.

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Although most U.S. farm exports are primary commodities like grains and oilseeds, processed—or value-added—products now represent a sizable export business.

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Export earnings from these sales make up nearly one-third of the value of all U.S. agricultural exports.

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There are many ways to add value to export items other than the usual ones associated with processing. And U.S. exporters are challenged to use them.

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U.S. Farm Exports—The Value-Added Factor

By John Nuttall

Traditionally, the majority of U.S. agricultural commodities moving into export have been primary commodities or raw materials such as wheat, corn, soybeans and cotton. And this trend will continue. But over the past decade or so, value-added—or processed—farm exports have risen in line with the expansion of total exports. Today, they represent a sizable factor in the export picture.

Their importance is further enhanced by the fact they create more jobs for U.S. workers. For each billion dollars in additional farm exports, about 35,000 more Americans are added to the payroll. Processing before exporting carries a double benefit for the U.S. economy.

Value-added exports, totaling almost $14 billion in 1981, make up about one-third of all U.S. farm exports.

The roughly two-to-one ratio between primary and value-added shipments is expected to tilt slightly more toward primary commodities throughout the 1980s.

International demand for raw U.S. farm materials has been long standing, compared with the more complex and changing nature of world trade in value-added products.

U.S. farmers tend to produce exportable supplies of those commodities for which they have a comparative advantage in production and export. This helps explain why about 70 percent of the feed grains and more than half of the wheat moving into world export channels come from the United States.

The principle of comparative advantage ensures that U.S. commodities will find export markets. The individual producer senses that he has the comparative advantage in producing for export, and this, in turn, ensures that supplies above domestic needs are on hand.

World Trade Favors Initial Products

These factors explain why the characteristics of U.S. agriculture favor the export of initial commodities (raw materials made suitable for shipping) over value-added (processed) items.

Very simply, the United States has a comparative advantage in producing certain initial products, such as wheat, corn, soybeans and cotton for export. At the same time, this advantage is not entirely offset by trade distorting mechanisms such as export subsidies. This is not the case for value-added commodities.

Some initial commodities—especially perishable ones like fresh fruits and vegetables—may be produced with a comparative advantage for export, only to lose the competitive edge through high shipping costs. Therefore, these U.S. products normally are exported to nearby markets, such as Canada.

Generally, as the distance of the export market increases, it becomes less and less a viable market for U.S. exports of perishable products.

As for value-added products, any comparative advantage that the United States may have in producing these items for export tends to be wiped away by the characteristics of international trade. U.S. producers know this and, as a result, export supplies are not as readily available as they are for initial products.

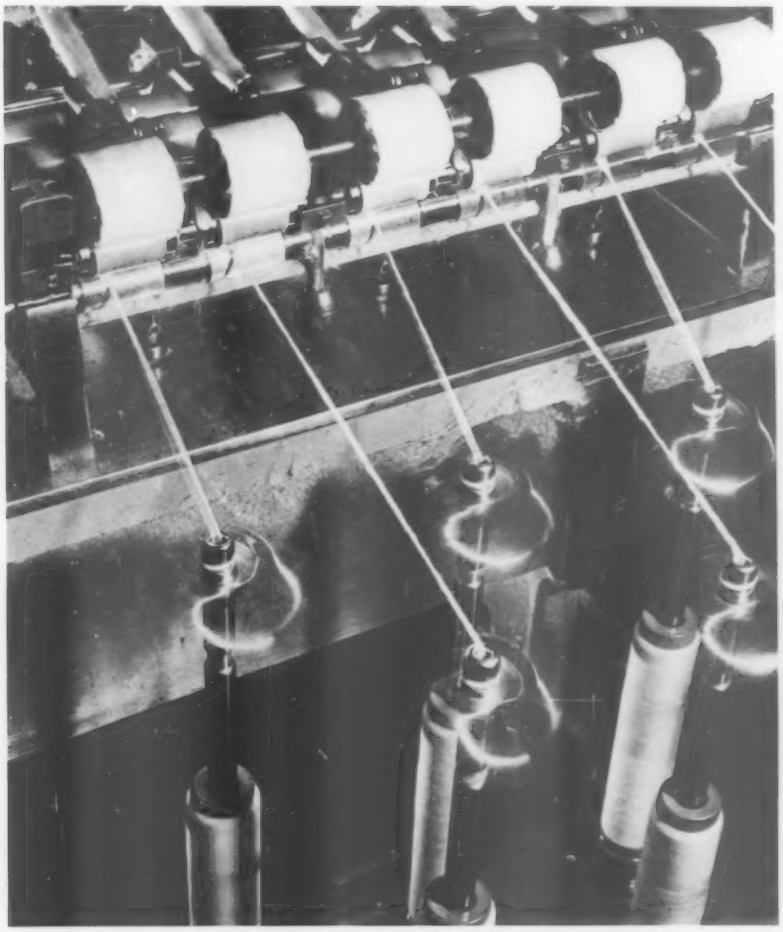
In addition, patterns of international trading tend to favor trade in initial products. Countries around the world import farm commodities either to supplement their own production or to process the imports into other commodities. These factors generate an import demand for both initial and value-added products.

Importers' Demand Changes Over Time

The trade impact is directly related to income growth and economic development within the importing country. But there is a big difference when measuring this impact over the short term or over a long period.

When a country's per capita income rises, its demand for foods to improve diets also rises. In many cases, the pace of income growth is more rapid than the development of processing and other industrial facilities. So, over the short term, the demand for value-added foods is met through imports.

However, over the long term, this demand is fulfilled more by local production as new processing plants come on line. As a result, the import demand changes from one for value-added products to one for raw materials (initial commodities) that can be processed into higher valued food products.



The value-added commodities affected most by these changes in import demand are those in the first stage category—that is, those in the first step of processing. Some examples are soybean cake and meal, unrefined oils, and some fresh and frozen meats.

As a country develops, its imports of first stage products increase vis-a-vis initial products, but eventually the value-added share starts to decline while purchases of initial commodities rise.

In addition, export subsidies by competitors accelerate the switch from U.S. value-added products toward U.S. initial commodities. While value-added exports from the United States have declined relative to initial products, the opposite is true for exports by major U.S. competitors, such as members of the European Community (EC) and Brazil. Unlike the United States, these countries subsidize their value-added exports.

Long-term trends that favor exports of U.S. initial commodities are also bolstered by trade restrictions on value-added items. Barriers by importing countries protect domestic industries and jobs, and encourage the import of initial and not first stage products. Once again, this is reflected in the makeup of U.S. agricultural exports and the dominance of initial products.

The Case of Opposite Trends

The trends in foreign imports of U.S. second stage products are just the opposite of first stage items. Second stage imports rise significantly at the higher income levels.

These products are superior goods and luxury foods that cannot be duplicated domestically by processing raw

materials. These are the specialty products—brand names known to be the production of a specific country.

Wines, cheeses, certain processed and prepared meats, fruits and vegetables and cigarettes all fit this description.

At the higher income levels found in the developed market economies, imports of these products overshadow purchases of first stage items. This, again, is reflected in the structure of U.S. exports of value-added products. Sales of second stage products to the developed countries are rising as a proportion of total U.S. agricultural exports to these countries.

It stands to reason that if the value-added mix of U.S. farm exports derives from the norms of world trade, then major changes will occur only when the international trade and production environment is altered. But the global side of this equation is largely beyond the control of U.S. farmers and exporters.

As long as world trade and production patterns persist, significant shifts in the value-added portion of U.S. agricultural exports can only come from changes in U.S. agriculture itself. This includes the ways that U.S. farm surpluses are marketed internationally.

What Changes Are Needed

Just what magnitude of change is needed? To raise the value-added share of U.S. farm exports requires measures to ensure that export supplies are forthcoming. It also requires steps which ensure that surpluses not produced with a comparative advantage can be sold overseas.

In short, competing against foreign subsidies on value-added exports may call for similar measures by the United States. Otherwise, U.S. producers may sense that these goods will not move to export markets. Consequently, they may not produce enough to meet the needs of international markets.

Changes such as these may benefit from the short-term outlook in international trade where demand for certain value-added products outstrips domestic supply.

Eventually, however, the long-term trends will come into play. Here, import demand begins to switch from value-added to initial products. And this is highly compatible with the ability of the United States to produce these commodities at a comparative advantage for export.

As this trend accelerates, the impact on U.S. producers is even more favorable. One way to quicken the pace is the rapid and large-scale buildup of processing facilities in countries that currently import value-added products from U.S. competitors. In this way, these imports are increasingly displaced by initial products from the United States.

Finally, U.S. exporters can capitalize on the long-term trend toward greater imports of brand name and specialty items by promoting these products in countries that are approaching the high income levels. However, the income growth that gives rise to increased imports of these products lies beyond the control of U.S. exporters. ■

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Fact File

Value-Added Products: What They Include

Many individuals interpret a "value-added product" as being one that comes from a primary commodity and in being processed adds value to the original commodity. When wheat is ground into flour, it gains in value. And when flour is baked into bread, it gains a higher value. Both the flour and the bread are value-added products.

In general, however, there is no comprehensive set of definitions which clearly delineate the differences between value-added commodities and primary commodities. As a result, a certain degree of confusion has surrounded discussions centered on the subject of value added.

For example, the terms "bulk," "processed," "semi-processed," "high valued," "consumer-ready" and "raw materials" are related to the subject of value-added and yet there has been no attempt to clearly outline what they imply with regard to the wide spectrum of agricultural commodities produced in the United States and around the world.

The definitions which follow, taken from a large-scale study on value-added agricultural exports, provide a common ground for discussing the subject of value-added. U.S. Census Bureau statistics, as aggregated according to the definitions, underlie the discussions in the articles on the different commodity groups.

Value-Added Concept Linked to Production Process

In general, all agricultural commodities and products derive from some set of production processes. Since production processes add value to a set of production inputs, all agricultural commodities could loosely be described as being either value-added or processed products.

Obviously, then, distinctions between agricultural commodities cannot be made solely on the basis of the "processed" or the "value-added" concept. But linking the value-added concept to the stage in the production process does provide some clear distinctions.

All commodities and products fall into a continuum of processing subdivisions which increases their value at each step. For example, soybeans must be hulled, cleaned, conditioned and ground to make soybean oil, which then has to be degummed and refined. This oil can then be used in creating another product, such as non-dairy creamer. Each stage adds value to a product through processing and transforms the product into a new product or group of products.

For purposes of generally assessing the "value-added" characteristics of U.S. agricultural trade, it is necessary to identify only a few subdivisions for each commodity grouping, each corresponding to the value added by each commodity transformation. These are:

- Initial commodities, which are sometimes termed primary or basic commodities or raw materials;
- First stage value-added derived commodities and products—sometimes termed semi-processed products—such as soybean meal and wheat flour, and
- Second and subsequent stage value-added derived commodities and products—sometimes termed processed or consumer ready products

Initial Commodities Result From Growth Processes

Initial commodities and products are defined as being the end result of a growth process. They include live animals, as well as products derived from live animals such as greasy wool, eggs in the shell and fluid milk.

They also include harvested crops in saleable form—which may involve cleaning, sorting, grading, fumigating or other such processes designed to maintain product quality during shipment or to raise it to levels suitable for sale, or both. Similar preparations may be applied to products derived from live animals in order to make them suitable for sale or shipment.

Initial commodities are not necessarily suitable for final consumption, however. For example, harvested grains are generally subjected to additional processing before being suitable for consumption. In contrast, harvested fruits and vegetables are immediately consumable.

The distinction between saleability and consumability is important. Often there is a tendency to confuse the concepts of processed or value-added with the concept of end-use by the domestic purchaser or foreign importer.

For the exporter or seller, it is the processing associated with creation of a product, rather than the processing which may be applied by an end-user to the product, which is the key determinant of the degree of value added. Examples of initial products are:

Fresh fruits and vegetables
Soybeans and oilseeds
Unmanufactured, unstemmed tobacco
Live animals
Fluid milk
Unmilled grains
Unshelled peanuts and nuts
Raw cotton
Eggs in the shell
Greasy wool

First Stage Commodities

First stage value-added agricultural product exports may or may not be suitable for final consumption. Some will have undergone no treatment other than the initial cleaning, sorting, grading, fumigation or packing necessary to maintain quality during shipment.

For example, milling wheat produces flour, a first stage product having a new appearance. Flour is a first stage product derived from an initial commodity that has been cleaned, sorted and fumigated. However, it is not suitable for final consumption. Examples of first stage value-added products are:

Dried fruits and vegetables
Oilseed cake and meal
Shelled peanuts and nuts
Undressed hides and skins
Feathers and bristles
Citrus, pulps, rinds
Unrefined oils of oilseeds
Fresh, chilled and frozen meats
Cheese and butter
Cereal flours

Further Processing Brings Second Stage Exports

Additional processing of first stage agricultural products converts them into higher valued, second stage products. The term "second stage agricultural product exports" is used as a catch-all term to include all products derived from stages of processing beyond the first stage. This would include products derived from further processing of second stage products, such as third stage value-added products, fourth stage value-added products, and so on.

Each of these stages further physically alters a product through cooking, packaging, refining, finishing, seasoning, mixing with other agricultural products or other such processes designed to make the product suitable for final consumption, to enhance the flavor of the product or to maintain its quality beyond requirements of shipment. Such products include:

Canned fruits and vegetables
Refined vegetable oils
Mixed, prepared and preserved nuts
Frozen fruits and vegetables
Mixed feeds and feed pellets
Canned meats

Adding Up Value-Added Sales

By Guy Grenier

As U.S. agricultural exports grew at a near sensational rate of 17 percent per year in going from $6.3 billion in 1967 to $43.3 billion in 1981, the value-added share hovered at almost one-third of these exports. However, a closer look at the value-added share during this period shows a slight long-term dip on the screen and another small decline is projected during this decade.

In 1967, U.S. value-added agricultural exports—both first and second stage items—totaled $2.2 billion or 34 percent of all agricultural exports. In 1981, these figures read $13.9 billion and 32 percent.

The fact that value-added products do not dominate the makeup of total U.S. agricultural exports results primarily from three factors. They are:

- The comparative advantage of the United States in production of grains and oilseeds for export;
- Lack of incentive for the production and export of value-added commodities; and
- An international trading environment that favors trade in initial products, while discouraging the flow of value-added products. This is because of export subsidies by other major exporters and trade barriers by most importing countries.

U.S. Sales of Initial Products Growing Faster Than Value-Added Exports

(Percent of total farm exports [1])

Export Group	1967	1972	1980	1981	1985 [2]	1990 [2]
Initial	65.3	62.4	68.0	67.9	68.3	68.5
Value-Added	34.3	37.6	32.0	32.1	31.7	31.5
First Stage	23.4	27.5	21.6	21.7	22.0	21.8
Second Stage	10.9	10.1	10.4	10.4	9.7	9.7

[1] Data may not add due to rounding. [2] Forecast

Initial Products

Since 1967, the overall share of U.S. exports of initial products has risen to 68 percent of the total value of all agricultural exports—an uptrend that is expected to continue. Over the past decade, initial exports have increased at an average annual rate of 20 percent, the highest growth rate for any of the three export categories.

Although the developed market economies have been the largest markets for these exports, shipments to other income-based markets have expanded at a faster pace. This pattern is projected to continue throughout the 1980s.

The Far East traditionally has been the leading regional market for U.S. initial product exports. In the past two years, sales to the Far East have comprised 35 percent of all initial product exports.

Those to the EC have declined steadily during the past five years, from 30 percent in 1977 to 19 percent in 1981.

First Stage

In 1981, exports of first stage products totaled $9.4 billion—some 67 percent of all value-added exports and 22

percent of all U.S. agricultural exports. First stage value-added products include such commodities as oilseed cake and meal, cheese, butter and dried fruits and vegetables.

In recent years, first stage commodities have declined as a proportion of total agricultural exports. In the past decade, exports increased at an average annual rate of 15 percent—well below the growth rates for both initial and second stage exports.

The developed market economies have been the dominant buyers of U.S. first stage exports, taking 51 percent of these shipments in 1981. Next in importance were the middle-income and oil-exporting countries.

The EC continues as the largest regional market, followed by the Far East. However, the EC share is declining while that of the Far East is rising.

Japan is the top country market. In 1981, the Japanese bought nearly 15 percent of these exports and were followed by the Netherlands (7.7 percent) and West Germany and South Korea, both at 6.8 percent.

Second Stage

Second stage sales are the smallest of the three export groupings. Second stage products include such commodities as canned fruits and vegetables and baked preparations of cereals. Second stage sales accounted for 10.4 percent of all U.S. agricultural exports in 1981 and if existing international trading patterns persist the present trends are likely to continue through the 1980s.

Again, the developed market economies were the leading export destinations, with a 45-percent share in 1981. During the past decade, exports to these countries expanded at an average rate of 20 percent per year. And exports to these markets are projected to increase slightly during the 1980s.

Highlights of U.S. Agricultural Exports for Initial and Value-Added Products

(In million dollars[1])

Export Group	1967	1972	1980	1981	1985 [2]	1990 [2]
Agricultural Exports						
Initial	4,158	5,838	28,022	29,420	34,614	44,225
Value-Added	2,179	3,518	13,194	13,913	16,036	20,383
First Stage	1,486	2,571	8,901	9,386	11,127	14,101
Second Stage	693	947	4,293	4,527	4,909	6,282
Grains and Feeds						
Initial	2,225	2,950	16,686	17,987	20,483	26,260
Value-Added	572	744	2,791	2,986	3,227	4,068
First Stage	262	350	1,109	1,483	1,397	1,748
Second Stage	310	394	1,682	1,503	1,830	2,320
Oilseeds						
Initial	803	1,570	6,356	6,739	8,452	10,810
Value-Added	460	841	3,223	2,933	3,936	4,993
First Stage	352	670	2,547	2,227	3,102	3,927
Second Stage	108	171	676	706	834	1,066
Cotton, Tobacco, Seeds						
Initial	802	804	3,447	2,811	3,672	4,617
Value-Added						
First Stage	198	399	1,011	1,175	1,291	1,625
Horticultural						
Initial	248	372	1,151	1,397	1,478	1,872
Value-Added	204	350	1,642	1,667	1,870	2,404
First Stage	71	139	702	633	763	982
Second Stage	133	211	940	1,034	1,107	1,422
Dairy, Livestock, Poultry						
Initial	69	121	324	431	447	562
Value-Added	616	1,002	3,480	3,845	4,521	5,750
First Stage	544	935	3,242	3,574	4,232	5,387
Second Stage	72	67	238	271	289	363
Sugar & Tropical						
Initial	11	20	58	54	82	104
Value-Added	127	182	1,046	1,306	1,191	1,542
First Stage	58	78	289	294	342	432
Second Stage	69	104	757	1,012	849	1,110

[1] Data may not add due to rounding. [2] Forecast.

Until recently Canada was the leading country market for U.S. second stage exports. However, in recent years the Netherlands has emerged as the leading buyer averaging 14 percent over the past three years. The next largest country markets in 1981 were Japan (8 percent) and Mexico (6 percent). ■

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Cotton, Tobacco and Seeds

By David Young

U.S. exports of cotton, raw tobacco and seeds collectively brought in just under $4 billion in export earnings in 1981. If cigarettes and other tobacco products are included, exports exceeded $5 billion. As in the past, initial products (mainly raw cotton) accounted for most of the sales.

However, the value-added share—that includes only tobacco and products—has increased slightly in the past decade, mainly as a result of rapid growth in cigarette exports. In 1981, value-added products (primarily stemmed tobacco and cigarettes) represented about 46 percent of the total.

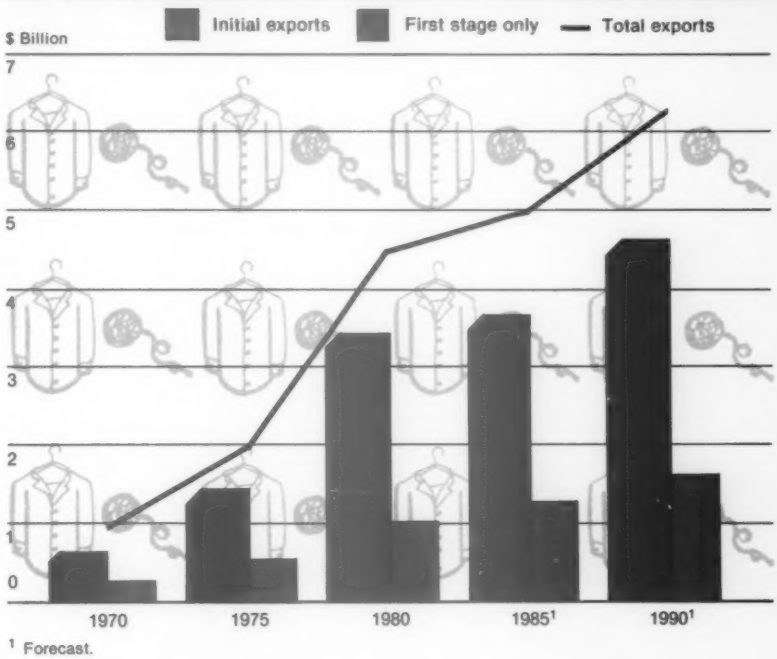
During the past decade, a decline in the share of first stage exports of tobacco was offset by a gain in second stage exports.

Exports of **first stage** products include flue-cured and burley tobacco (all stemmed) and black leaf tobacco. These sales totaled $1.2 billion in 1981, compared with $531 million in 1975 and just $198 million in 1967.

Nearly 70 percent of these first stage exports were shipped to developed countries, traditionally the biggest buyers. The top country markets were Japan (26 percent) and West Germany (15 percent).

The outlook for first stage exports in the 1980s is for continued growth, especially at the expense of initial, unstemmed tobacco exports because of cheaper transportation costs associated with stemmed tobacco and a trend toward stemming tobacco soon after harvest.

Initial Products Lead Way in U.S. Exports of Cotton, Tobacco and Seeds



[1] Forecast.

A rapid increase in second stage exports of tobacco raised the value-added portion of total cotton, tobacco and seed exports from 15 percent in 1972 to 24 percent in 1981. Cigarette exports accounted for most of the growth, by rising 22 percent annually in value. Second stage exports should increase throughout this decade, particularly cigarettes to developing nations.

The gains, though, will not be as rapid as in the 1970s, partly because of further stagnation of per capita tobacco use in the European Community (EC), the major U.S. outlet. On a value basis, the major 1981 markets were the EC, Middle East and Far East. ■

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Oilseed Products

By Leslie Chaimson

Among U.S. oilseeds, initial products have—and will—dominate the export picture, but sales of value-added items have made impressive strides.

While most U.S. oilseed exports are primary commodities, like soybeans, value-added overseas sales totaled nearly $3 billion in 1981, double the 1975 level. By the end of this decade they should approach $5 billion in export earnings.

Total U.S. exports of oilseed products reached $9.7 billion in 1981, accounting for 22 percent of the value of U.S. agricultural exports. Initial products were dominant. It was only in 1978 that these exports passed the billion-dollar mark, but sometime in this decade they will surpass $10 billion in export sales.

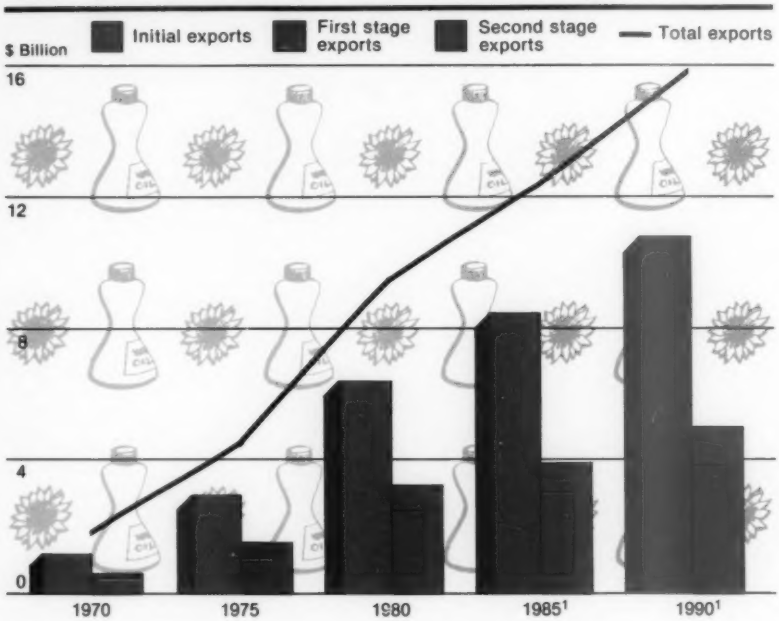
Initial

Exports of initial oilseed products have increased steadily over the past 15 years and represented nearly 70 percent of total U.S. oilseed product exports in 1981. And the initial share through the decade is expected to stay close to the current level. Exports of initial oilseed products totaled $6.7 billion in 1981.

The developed market economies have been the dominant buyers for these products. In 1981, these countries bought $5 billion worth, comprising 74 percent of the initial product total. Over the past decade, U.S. exports to these countries have increased at an average annual rate of 16 percent. These markets also are expected to be the largest buyers through the 1980s.

The European Community (EC) and the Far East are the most important regional markets for initial products, taking 46 percent and 27 percent, respectively, of all U.S. exports of initial oilseed products.

Initial Product Items Continue To Dominate Oilseed Export Picture



[1] Forecast.

The Netherlands, a major transshipment point, was the largest country market. The Dutch bought 22 percent of all initial oilseed exports from the United States. Japan was the second leading country market, with a 17-percent share.

First Stage

On the value-added side, first stage exports totaled $2.2 billion in 1981, accounting for 23 percent of total oilseed product exports. First stage value-added oilseed products include unrefined oils and oilseed cake and meal. In recent years, these exports have averaged about one-fourth of all U.S. oilseed exports and this proportion will decline only slightly by 1985.

Again, the developed economies are the top markets. These countries bought $1.2 billion worth, or 54 percent of total first stage exports in 1981.

They should remain the leading export customers throughout this decade, although exports to the oil-exporting and low-income countries are rising at a slightly faster rate.

In 1981, three-fifths of U.S. first stage exports were destined for the EC, Eastern Europe and the Soviet Union. The USSR is the largest country market for U.S. exports of these products. Next is the Netherlands, with a 23-percent share.

Second Stage

Over the past 15 years, exports of second-stage oilseed products have maintained a stable proportion of

Grains and Feeds

about 7 percent of oilseed exports—a trend that should continue. Second stage products include refined vegetable oils, margarine and other highly processed products of oilseeds.

Until recently, the middle-income countries were the leading markets for these products. But in 1981, these countries were surpassed by the oil-exporting countries and the developed market economies.

U.S. exports of second stage products to the oil-exporting countries represented nearly 30 percent of all second stage exports from the United States. Sales to the developed market economies and the middle-income countries comprised 26 percent and 25 percent, respectively, of total U.S. second stage exports.

North Africa had been the No. 1 regional market for U.S. second stage oilseed products. During 1974-80, exports to North Africa comprised an average of 25 percent of U.S. second stage value-added exports. Over the past three years, however, exports to South America began rising and in 1981 that region replaced North Africa as the largest regional market. The outlook for the remainder of the decade is a continuation of these trends. ■

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By Michael Dwyer

Because of their high efficiency and comparative advantage in production, U.S. farmers have made the United States the breadbasket of the world. The volume of U.S. grain that goes to every corner of the world is unmatched in history.

Today, U.S. farmers provide about one of every two bushels of grain that move in the world grain trade.

In calendar 1981, U.S. exports of grain and feed products reached a record high of $21 billion and accounted for nearly half (48 percent) of the value of all U.S. agricultural exports.

Historically, U.S. grain products have largely been exported in an unprocessed, or initial, form. In fact, of the $21 billion worth of grain products exported in 1981, over 85 percent were initial commodities.

Nonetheless, value-added grain and feed products still totaled $3 billion—mostly in rice, processed animal feeds and wheat flour. Collectively, they accounted for 21 percent of all U.S. value-added farm exports in 1981. From a standpoint of the increased economic activity generated by domestic processing, grain's contribution is, indeed significant.

Let's take a closer look at the breakdown of U.S. exports of grain and feed products.

Initial

Over the past 15 years, U.S. exports of initial grain and feed products logged some impressive gains in going from $2.2 billion in 1967 to $18 billion in 1981. Most of these exports were wheat and coarse grains.

The advances made by American grain farmers and exporters stem largely from rapidly rising world demand for these commodities and the comparative advantage in production enjoyed by the United States.

The most dramatic change has occurred in the shifting of markets for these products. During 1967-74, the developed countries bought 52 percent of these U.S. exports, but over the past seven years their share dropped to 35 percent.

And this trend is expected to continue. The figure is projected to be as low as 26 percent by 1985. Much of this decline is due to the EC's restrictive import policies which have resulted in a no-growth situation for U.S. initial grain exports to the Community.

On the other hand, the markets showing substantial growth have been the middle-income and oil-exporting countries which are in the process of upgrading the diets of their people.

These markets now take almost one-third of U.S. shipments of initial grain products, compared with a one-fifth share in the late 1960s and early 1970s.

The leading regional market is the Far East, accounting for one-third of initial U.S. grain exports. Traditionally dominated by Japan, the region is now strongly represented by China, which is the largest market for U.S. wheat. Continued sales to that country along with maintenance of the steady Japanese market should result in an increase in the Far East's share—possibly to 40 percent—by 1985.

First Stage

This stage involves the first processing step in adding value to harvested grains. U.S. exports of first stage grain products have expanded at an annual

rate of 17 percent since 1972 to $1.48 billion last year. Most of these exports are brown and parboiled rice and wheat flour.

Despite these gains over the past decade, however, first stage exports have shown no increase as a share of total grain and feed exports. Their share remains at only 6.5 percent—a trend that is expected to continue through 1985.

Over the past two years, the oil-exporting countries—especially Saudi Arabia and Nigeria—have become the top U.S. markets by taking 27 percent of all U.S. exports in this category. Most of the first stage exports to these countries are parboiled rice. With their recent growth, these countries have replaced the developed market economies as the dominant export destinations.

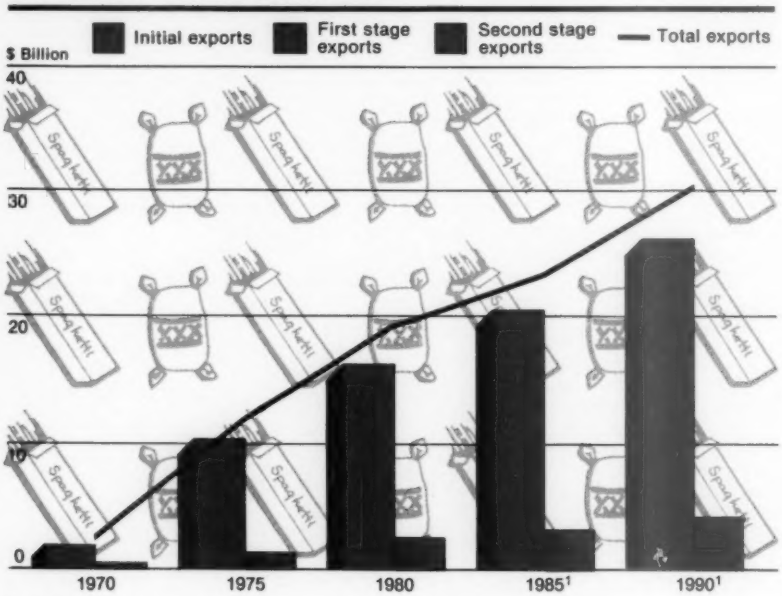
Next in line are the newly industrialized nations, such as South Korea, and the middle-income countries, such as Egypt. These regions each account for roughly one-fifth of the U.S. first stage grain export market. Major items sold to these countries include brown rice and wheat flour.

Second Stage

Export sales of highly processed grain products have gained an average of 16 percent per year, reaching $1.50 billion in 1981. They now account for 8 percent of all U.S. grain product exports—virtually unchanged from levels of the past 10 years. Major items in this category include processed animal feeds and milled rice.

Unlike first stage exports, second stage products still flow mainly to the developed countries. These nations took 54 percent of U.S. shipments in 1981, compared with 18.6 percent for middle-income markets and 17.2 percent for oil-exporting countries.

Initial Products Dominate U.S. Grain and Feed Exports; Value-Added Items Show Slow Growth



[1] Forecast.

The European Community (EC) singlehandedly took nearly half of U.S. exports of second stage grain and feed products. In fact, the EC has become the top U.S. export market for all value-added grain—the result of rapid growth in U.S. exports of processed animal feeds, such as corn gluten feed. Because corn gluten is bounded free of duty in the General Agreement on Tariffs and Trade (GATT), it is not subject to the EC variable levy. Thus, corn gluten is a much lower priced feed ingredient than the highly supported EC grains. Given continued exclusion from EC variable import levies, corn gluten exports should continue at healthy levels, at least through the mid-1980s. ■

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Sugar and Tropical Products

By David Young

Virtually all U.S. exports of sugar and tropical products are value-added. In fact, value-added products accounted for 96 percent of these U.S. exports of $1.36 billion in 1981. Total sales could rise to nearly $1.7 billion by the end of this decade.

The majority of 1981 shipments consisted of **second stage** products, which are the ones carrying the higher price tags that translate into more jobs in the U.S. economy.

Second stage products, such as refined sugar and beverages bases, accounted for nearly three quarters of all exports of U.S. sugar and tropical products in 1981. And they expanded at a brisk clip, averaging 29 percent per year over the past decade.

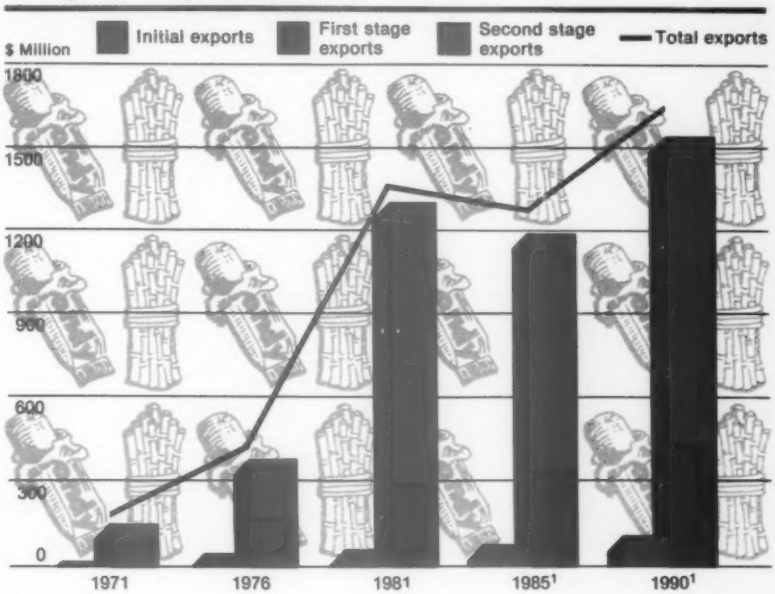
Exports jumped significantly in 1981 because of high world sugar prices and U.S. government "drawback" payments for previously imported raw sugar that is later re-exported as refined sugar.

By 1990, these exports could pass $1.1 billion, assuming higher global sugar prices later in the decade.

Usually, the developed countries are the biggest buyers of these products, given the higher income needed to purchase them, and that pattern should continue. But in 1981 the ranking was different because of abnormally large shipments of refined sugar to Mexico and Venezuela.

As a result, middle-income and oil-exporting countries were the top markets. The three leading country markets were Mexico, Japan and Canada, which together took slightly over one-third of all second stage exports.

Second Stage Items Hold Top Spot in U.S. Exports Of Sugar and Tropical Products



[1] Forecast.

Next in importance were **first stage** exports, such as ground or roasted coffee and essential oils. These grew at a 16-percent annual rate over the past decade, and, if market trends hold, they should stabilize at about 27 percent of all U.S. sugar and tropical export through this decade.

Here again developed countries dominate the market picture by taking about two-thirds of these exports, with Canada, the United Kingdom and Japan being by far the largest markets.

Initial products, consisting mainly of crude ginseng root, crude coffee and honey, comprise only a small portion of U.S. foreign sales of sugar and tropical products. And the initial share will remain small throughout the 1980s. The United States is a large importer of raw sugar that comes mostly from Latin America and Asia.

What initial products the United States did export in 1981 went mainly to the newly industrialized and developed countries. Hong Kong occupied the top spot by taking 51 percent of these exports (mostly ginseng root) and was followed by Canada and France, at about 11 percent each. ■

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Horticultural Products

By Michael Dwyer

Exports of U.S. horticultural products hit $3 billion in 1981, almost double the $1.6 billion in sales just five years ago and nearly seven times the level that existed 15 years ago.

Gains by U.S. exporters ranged across the board, but they were strongest for value-added products which accounted for an average of 57 percent of 1980/81 sales—rising steadily from 50 percent in 1972/73.

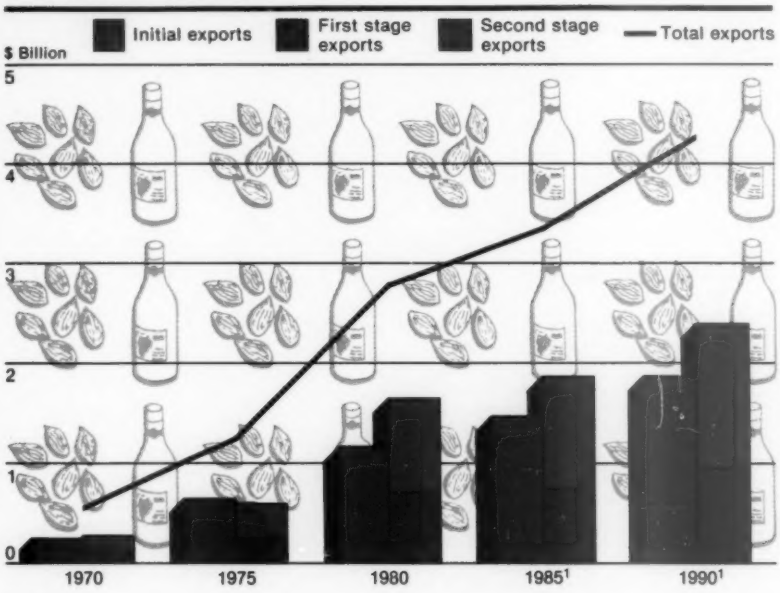
Export sales at the end of this decade are projected at more than $4 billion, with the sharpest gains occurring on the value-added side of the ledger. This is especially the case for highly processed second stage exports. The markets that are likely to spur this export expansion are located in the Far East and the Middle East.

Initial, or fresh, horticultural products accounted for $1.4 billion in exports in 1981, up by an annual average of 16 percent during the past decade. Developed countries buy about three-fourths of these commodities. However, this is down from levels of 10 years ago since sales to the rest of the world have been growing at a faster pace.

In fact, the leading growth markets of the past few years have been the newly industrializing economies (Hong Kong, Taiwan and Singapore) and the oil-exporting economies, as a result of rising incomes.

The largest single-country market is Canada. Customers north of the border accounted for 39 percent of initial U.S. horticultural exports in 1981. However, Canadian sales have increased only marginally since 1972.

Value-Added Sales Provide Bulk of U.S. Exports Of Horticultural Products



[1] Forecast.

The growth market of the past decade has been the Far East, whose regional share has consistently grown to the 30 percent level of today. Given increased U.S. access to the Japanese citrus market, the Far East could surpass North America as the top regional market by 1985.

First stage exports totaled $633 million in 1981, down from the year before and the first dip after 11 straight years of increased sales. First stage products now account for 23 percent of total horticultural exports—up from 20 percent in 1972. The top sellers in this category are shelled almonds and dried fruits.

As a group, the oil-exporting countries have logged the sharpest gains over the past decade, with U.S. sales to these markets expanding at a rate of 24 percent per annum. Rising incomes and taste preferences are major factors behind this growth.

As with all horticultural product groups, the developed countries—particularly those in the European Community (EC) and the Far East—dominate the export market.

They account for slightly more than three-quarters of first stage exports. The leading country markets were West Germany (19.4 percent), Japan (14.6 percent) and Canada (9.3 percent).

While the developed countries will continue to be the major market for U.S. exports in the years ahead, their share should continue to drop as other markets grow at faster rates.

Dairy, Livestock and Poultry

Second stage exports added up to $1.03 billion in 1981, providing about two-thirds of U.S. exports of value-added products in this category.

These sales alone accounted for about 34 percent of all U.S. horticultural exports in 1981, compared with 29 percent in 1979. This uptrend should continue throughout this decade.

The top export items among second stage products were frozen and canned vegetables, fruit juices, wine and beer, and canned fruit.

Sales to the developed market economies account for 62 percent of the U.S. total. However, slow growth in exports to Canada and the EC have caused this share to drop sharply from the 78 percent level of 10 years ago.

This decline would have been even more drastic if U.S. exports to Japan had not grown at the phenomenal rate of 32 percent a year during the past decade. If this growth to Japan is not sustained, the developed economies could account for only 55 percent by 1985.

Exports to the oil-exporting and newly industralizing countries have shown excellent progress. Growing by 34 and 32 percent a year, respectively, sales to these markets now account for 20 percent of the U.S. total—up from only 8 percent in 1972. This share is likely to continue increasing and could approach 30 percent in 1985. ■

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By David Young

Long a net importer of animal products, the United States has emerged as a net exporter of dairy, livestock and poultry products, with sales in 1981 reaching $4.3 billion—about 10 percent of total U.S. agricultural exports. This group of products accounted for almost one-third of all value-added exports.

Most U.S. exports in this group are value-added products. The leading commodities here are the first stage products, such as inedible tallow, cattle hides, chicken parts, beef carcasses and broilers.

The trend of the 1970s toward constant or slightly increasing trade shares for value-added exports is likely to continue as will the key factors of easier marketing, lower transportation costs, and fewer health and tariff barriers.

These conditions favor value-added products vis-a-vis initial products (mainly live animals).

The value-added portion of U.S. livestock exports should hold at about 90 percent of all livestock exports. Among these items, the future appears fairly bright for further exports of livestock byproducts, such as inedible tallow. The best growth markets appear to be the developing countries.

The United States should continue to remain only a residual export supplier of red meats, although high-quality beef shipments should rise with increased Japanese import quotas.

U.S. poultry exports should also remain largely value-added, with this share increasing slightly. Exports of shell eggs (initial products) and whole, young chickens (value-added products) are not expected to expand as rapidly as in the 1970s because of heightened competition in the Middle East resulting from subsidized exports of the European Community (EC) and Brazil.

First stage exports rang up sales of $3.6 billion in 1981—the highest single value-added category of the six commodity groupings covered in this issue.

Over the past 15 years, first stage exports have formed the bulk of U.S. export sales of dairy, livestock and poultry products. These exports include fresh or frozen meats, undressed hides and skins, and tallow. During this period, they averaged over 80 percent of all shipments, reaching about 83 percent last year and may exceed 85 percent by 1985.

Traditionally, the developed markets—particularly those in the EC and the Far East—have bought more than half of the first stage exports. Since 1972, however, exports to the oil-exporting countries and the newly industrialized markets have registered the most rapid growth, which was spurred by sales gains for tallow and hides.

The Far East—led by purchases by Japan, Korea, and Taiwan—is the No. 1 regional market for first stage exports. Sales over the past eight years have advanced an average of 19 percent per year. In 1981, the region took just over one-third of U.S. first stage exports by importing large quantities of cattle hides, tallow and chicken parts.

Japan is the top individual market, taking 24 percent or $857 million worth of these products. The next largest markets were Mexico and Canada.

Second stage value-added products in this category totaled $271 million in 1981 sales—the seventh straight year for increased exports. Export earnings by 1990 may exceed $350 million.

Some 43 percent of these exports went to developed markets in 1981, while the oil-exporting countries, the fastest growth area, were next with a 26-percent share. In 1978, Japan replaced Canada as the leading market for second stage exports, which include such items as prepared or preserved beef and pork.

In 1981, Japan took 15 percent of all of these exports and was followed by Canada (14 percent) and Mexico (13 percent).

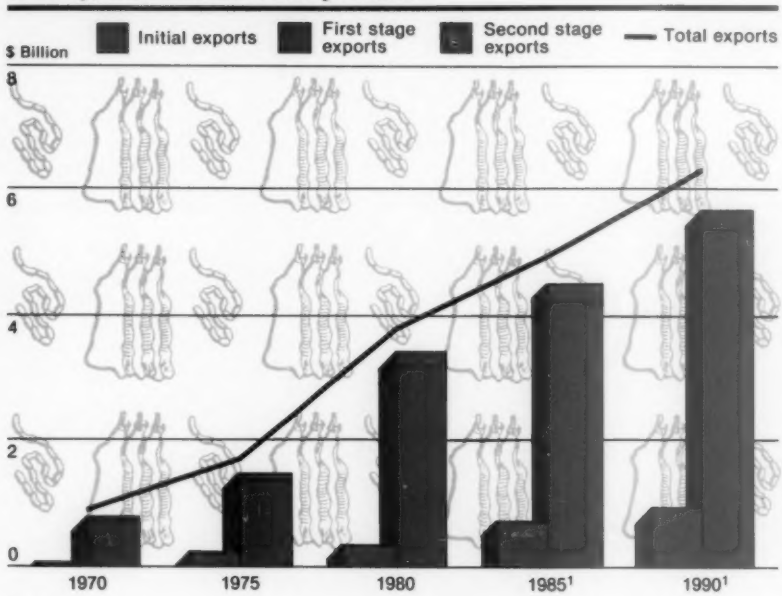
Exports of **initial** dairy, livestock and poultry products include horses, cattle, eggs and fluid milk. These sales totaled $431 million in 1981, representing steady increases since the mid-seventies.

Not only is the EC the top regional market, but it also has shown strong growth as sales have risen an average of 16 percent a year over the last nine years.

Three countries—the United Kingdom, Mexico and Canada—were 1-2-3 last year, with collective purchases (primarily horses) accounting for 47 percent of all initial exports. ■

The author is an international economist, Trade and Economic Information Division, FAS. Tel. (202) 382-9054.

First Stage Sales Own Lion's Share in U.S. Exports Of Dairy, Livestock and Poultry Products



[1] Forecast.

Corn Flakes at Four A.M.: Value-Added Intangibles

By Edmund M. Paige

At four o'clock in the morning one day last summer, Robert Grice, an American exporter, was awakened by a telephone call from the tiny Arab shiekdom of Abu Dhabi.

Although it was not yet daylight at Bob's place, it was high noon at the other end of the line. Bob may have been sleepy, but he wasn't surprised. Abdul el-Aziz, his agent, frequently called him at this hour to discuss business, and, more importantly, to place orders.

"Hello, Bob. Abdul here. Good afternoon! How are you? Listen, I have a favor to ask of you." Bob wondered what he would hear next.

Only a few weeks before Abdul had asked him to find a source of supply for lubricating oil in imperial gallon tins instead of the standard American gallon. It wasn't easy to come up with this sized tin but Abdul insisted. "I can get a dollar more per gallon from truck drivers here for oil in imperial gallons than in American gallons," he said. By luck, Bob had found a tin manufacturer and Abdul rewarded him with a hefty opening order.

"Here's what I want you to do," Abdul said in the 4 a.m. call. "You know that containerload of canned beans that's due to be shipped next week? I want you to divert the truck and have the container's empty space filled to the roof with boxes of corn flakes."

Bob groaned. He knew that canneries didn't like to fool around with split deliveries. Once the container was loaded to the maximium weight, it was sealed and shipped. All the documentation, computer programing, accounts receivable and insurance coverage were predicated on the container not being opened until it reached its destination.

Bob also knew that Abdul paid a flat rate of about $2,400 for his container, regardless of how it was packed. The maximum allowable weight was 40,000 pounds, but there was no minimum. The rate was the same whether the container was completely full or not.

Abdul had figured it out. Forty thousand pounds of canned beans, the maximum weight, would fill half of the container. If he took out a ton of beans and replaced it with a ton of corn flakes, he would fill the container to the ceiling. This would mean that the corn flakes would be getting pretty much a free ride.

Extra Service Adds Value

What Bob was doing, although he had never thought of it that way, was adding value to his export products. By helping Abdul make a greater profit, Bob was able to get repeat business. By reducing the freight cost of his corn flakes to nearly zero, Abdul could undercut his competition or increase his profit, whichever suited him best.

In the case of the oil packed in imperial gallon-sized tins, Abdul was able to provide his customers with a familiar package that they trusted, thereby

insuring his share of a very emotional market. Result: an increase in "emotional-appeal value."

This request might have been a big pain to some people. Not for Bob. He was used to receiving such requests from export customers and he usually made a special effort to get them what they wanted. And they regularly came back to him. Bob's business had built up nicely over the years as a result of his attention to these requests.

"Value added" usually refers to a stage or stages in the processing chain that increases the value of the product delivered to the final customer. The processing of a potato into a frozen french fry, for instance, is a classic example of value added. And the restaurant that fries it adds more value to the potato.

It is important to note that there are many ways to skin the "value-added" cat.

Take "time value," for example. Apples are plentiful in the fall when the harvest comes in. In the old days, apples had pretty much disappeared by springtime. Enter controlled-atmosphere storage. Now apples can be made available with approximately the same quality and taste on a year-round basis. This is time value.

Consider "place value." Remember the old story of a bird in the hand being worth two in the bush. That's place value in a nutshell. A manufacturer who can fill an order in a hurry and place it on a boat in say, three days' time, has added place value. Some customers are always running out of product and need their shelves replenished on short notice.

Credit Service Brings Sales

We all know about "credit value." How many appliances, automobiles and other personal items would be sold without the liberal use of credit? The same principle applies as well to international trade. Everything else being equal — and it seldom is — a buyer will go where he can get credit. If the exporter grants credit terms, he has created credit value.

Figuring out the paperwork and expediting the shipment is "service value." Actually, this is one of the most important values an exporter can add to his product. Good service always pays off.

The exporter on this side of the ocean is to the importer on the other what a pumper in the boat handling the lifeline is to a deep sea diver. The diver is at the mercy of the man in the boat and has to depend on him for his well being. So it is with the foreign buyer. The transaction stands or falls on the exporter's service.

"Advertising value" is also important. If a manufacturer agrees to spend money advertising his product in a particular overseas market, the product becomes that much more valuable to the importer in that area. An example can be found in the Middle East where Mazola corn oil has been promoted. Alongside a dozen other brands on a store's shelf, it commands a dollar more a gallon because consumers there are willing to pay a premium for a known product.

Consider Purina products: buying a bag of Purina's animal or pet food in Latin America gives the buyer a nice warm feeling. After all, the very name of the company denotes "purity" in Spanish. That's "name value" with a plus.

High Quality Is Worth Money,Too

And what about "quality value?" The word "quality" has been used so frequently that people tend to take it for granted. Nothing adds value to a product faster than quality workmanship. Foreign markets cannot be a dumping ground for substandard merchandise. Just because the customer doesn't speak English, and because he is thousands of miles from our shores doesn't mean that quality isn't just as important to him as to anyone else.

There is an old saying, "A man will soon forget what he paid for a product but he'll never forget what he got for his money." A little extra quality built into a product is an easy way to add value; sometimes a high value can be achieved all out of proportion to the relatively small cost involved to enhance the product's quality.

Creativity Often Overlooked

"Creative value" is one often overlooked. Many times a difficult obstacle has been overcome by the use of a creative approach to a problem. The practice of putting plastic foreign-language labels over standard English labels on tin cans is a good example. Another one is the use of inflatable air bags to keep cargoes from shifting while on the high seas.

Creativity is a way to make something out of nothing. It's also finding a solution to a vexing problem or making a rough operation run smoothly. It all adds up to the addition of value by the use of creativity.

The list goes on and on. As we have seen, there are many ways to add value to a product other than simply processing it to make it worth more. American agricultural exporters are being challenged to examine their ways to do business and to see what they, themselves, can do to increase the value of their products without changing their basic manufacturing processes.

Adding value to the products shipped overseas should be a national priority. If every exporter maximizes the value of his export products, in all the intangible as well as the tangible ways, America's export status would rise enormously and everybody — both America and its trading partners — would benefit immeasurably. ■

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Country Briefs

Australia

Imports of U.S. Grain and Feed Unlikely

Australian plant quarantine regulations appear to be deterring possible imports of U.S. wheat or feed grains in 1982/83. Stringent guidelines require costly processing at port and transport between ship and mill under quarantine supervision. Another impediment to imports is the requirement that shipments be certified as completely free of prohibited weed seeds.

Brazil

Greater Peanut Production Planned

Brazil plans to revitalize peanut production, which at one time was an important oilseed crop in that country. It was reported that in 1972 production was 956,000 tons (inshell), but this fell to 290,000 tons over the past 10 years. The reasons cited for the reduction were competition of other crops, the lack of official encouragement, and variety and marketing problems. The "Groundnut Project," which will be funded by the Brazilian Association of Vegetable Oil Industries (ABIOVE), aims to boost Brazil's peanut crop to 500-600,000 tons and eventually to the level of the early 1970's. This supposedly will be accomplished by encouraging sugarcane farmers, who are looking for an alternative crop, to plant peanuts on one fourth of their land usually left fallow. ABIOVE also plans to encourage research for new, more productive, resistant varieties and to enlist government support by obtaining credit for the crop development. Peanuts are one of Brazil's traditional export items.

Cameroon

Oil Resources To Spur Imports

Cameroon is a small, but promising market for selected agricultural commodities because its oil production and exports are well underway. The Government has managed its oil revenues cautiously, and is determined to avoid the experiences of neighboring Nigeria by directing investment toward productive activities and limiting growth in government spending. Nevertheless, sizeable increases in the government budget, anticipated 6 to 7 percent growth rates in GDP during the 1980's, and more rapid urbanization indicate that imports of staple commodities, and increasingly of processed foods, will grow rapidly.

Consumers are likely to be more price conscious than quality conscious. The market for luxury and prestige goods is increasing, but still small. Greater opportunities exist for lower priced, convenience foods. In addition, Cameroon's plans to invest $1.7 billion in agriculture during 1981-86, and particularly in agro-industrial projects, will create an increased demand for feed grains and agricultural machinery.

Canada

Record Grain Exports Foreseen

With a record 1982 crop, recently announced large sales to the USSR, and apparent adequate rail capacity, Canada's western grain exports in 1982/83 are expected to continue at or above the past year's record level of 27 million metric tons—barring any prolonged labor dispute or unusually severe weather which could disrupt export movement.

The Grain Transportation Authority estimates that 29 million tons or more of western grains, oilseeds and their products can be exported in 1982/83. The government has ordered 1,300 new grain hopper cars to augment its rail fleet and the railways are increasing the proportion of hoppers going to the West Coast. This should enhance West Coast throughput by raising average payloads and reduce car cycle times on the heavily traveled mainlines to the West Coast.

The lower quality of the 1982 crop should not have a serious impact on Canadian grain exports in 1982/83. The Canadian Wheat Board (CWB) has several customers which are willing to purchase the lower grades. In addition, the excellent 1981 crop left a large amount of high quality grains in the 1981/82 carryover stocks.

The CWB has not announced an export goal for 1982/83. Current long-term agreements (LTA) accounted for two-thirds of last year's record exports. For wheat, LTA's combined with informal agreements with other countries account for 14-17 million tons on an annual basis. In 1981/82, the eight largest markets (USSR, China, Poland, Japan, U.K., Brazil, Cuba and Algeria) accounted for 84 percent of wheat exports, or 15.2 million tons. These countries are expected to take at least this amount this year.

Japan

Frozen Potato Market Booms

The United States continues to dominate the Japanese market for frozen potatoes, which is booming as a result of the rapidly growing western style fast food industry. U.S.-origin imports were valued at roughly $46 million (c.i.f.) in 1981, including $27 million worth of frozen potatoes and $19 million worth of dehydrated potatoes. While further increases in demand from this industry are anticipated, good potential exists for home consumption, too. Promotion efforts directed at the home/retail market could be important in efforts to further expand U.S. exports to Japan. Imports of fresh potatoes into Japan are prohibited from most countries, including the United States, for plant quarantine reasons (potato canker and golden nematode).

Kenya

U.S. Rice Exports Face Stiff Japanese Competition

A 4-percent annual increase in Kenya's population over the next five years implies a continuation of rice imports. But the United States, which was the principal supplier of rice to this market in the 1960's and 1970's, is being hard pressed to maintain its share in the 1980's.

Japan is aggressively marketing rice on concessional terms and would have captured Kenya's entire import requirements of 20,000 tons in 1981/82 and 35,000 tons for 1982/83 were it not for the PL 480 Title I Program.

Kenya's rice imports are expected to reach 40,000-45,000 tons over the next several years. Japan would very much like to take over this and other East African markets that likely will reach a total import level of 300,000 to 400,000 tons in 1982, and are expected to be larger in 1983.

Malaysia

Market Potential Expands For U.S. Horticultural Exports

Malaysia's emphasis on national development along with its broad export base and strong economic growth are leading to expanding sales of U.S. horticultural products. In 1981, this country of 13.9 million people purchased $13.6 million worth of U.S. horticultural products, 40 percent more than a year earlier. Substantial quantities were also imported indirectly through Singapore.

Almost half of the U.S. exports consisted of three fresh fruits—apples, oranges and grapes. Certain processed items are also becoming significant on the Malaysian market, including citrus juices, prunes, raisins, canned corn, and certain canned fruits. The market for juices is very competitive, but the United States has become a major supplier of orange juice in bulk containers for remanufacture. The United States also supplies 60-70 percent of the raisin market as well as a significant amount of prunes. Most competition in dried fruit is from Iraq (dates), China and Australia.

U.S. exports of canned fruits, led by fruit cocktail, face strong competition from Australian exports, and inexpensive pineapple packed in Malaysia. Corn is the leading U.S. canned vegetable export because most others cannot compete in price with supplies from local or nearby producers. A significant portion of Malaysian imports are Oriental-style vegetables used in Chinese cooking.

Meat Imports Restricted

Starting January 1, 1983, all imports of fresh, chilled and frozen meat by Malaysia must come from cattle, buffalo, sheep and goats slaughtered by Islamic rules (Halal). Malaysia will continue to allow the import of non-Halal poultry products. U.S. beef exports to Malaysia could gain significantly or disappear altogether, depending on whether U.S. beef packers can meet Moslem slaughter requirements and whether their Halal certificates would be approved by Malaysia.

Soviet Union

Hop Imports From U.S. Surge

Hops are now one of the top U.S. commodity exports to the USSR, in light of recent annual shortfalls in Soviet production. Soviet trade statistics put U.S. sales of hops at 17 million rubles in 1981, up more than threefold from the year before and roughly five times as much as in 1979. The Soviet Union's import demand is expected to remain high over the next several years in order to meet domestic requirements.

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